



Better Buy in 2023: Shopify Stock or Couche-Tard?

Description

The [bear market of 2022](#) could very well worsen in 2023, as the much-anticipated recession finally lands, in a “soft” or “hard” way. Regardless, investors need to stay the course, rather than seeking reasons to sell. You don’t have to look hard these days for reasons to sell, with so many gloomy talking heads on TV and bearish pieces that warn more pain could be ahead.

There isn’t that much room for optimism, as we head into earnings season. The last several quarters have been quite worrisome for jittery investors. In any case, I’d much rather have expectations low, as they are right now, than euphorically high, as was the case for certain firms during the back half of 2021.

At the end of the day, markets can move higher as long as actual numbers surpass estimates. With valuations and estimates low, I’d argue that the tables are slightly tilted in favour of investors. It’s hard to tell what lies ahead, but I’d much rather be a new investor seeking to put money to work in markets today than a year or so prior.

A tale of two worthy Canadian growth stocks

Let’s roll up our sleeves and have a look at two very different Canadian growth stocks. On one hand, we have **Shopify** ([TSX:SHOP](#)), a hyper-growth gem that captured the hearts of many investors over the years. On the other, we have **Alimentation Couche-Tard** ([TSX:ATD](#)), a convenience store icon that’s steadily outpaced the broader stock market over the past 10 years.

Indeed, the trajectories behind the firms are very different. With some of the best growth prospects out there, though, both names seem worth a look at these prices, even with the recession fears factored in.

Shopify remains an e-commerce firm with a hyper-growth mindset. It knows it needs to make the right investments to move forward and gain ground on rivals. As for Couche-Tard, the brick-and-mortar retailer can be more patient. It can sit on its hands, waiting for global M&A opportunities to present themselves. While Couche still has to invest in efforts to bolster same-store sales growth, it's clear that Couche has way more financial flexibility to deal with a higher-rate environment.

With recent layoffs, Shopify needs to find a way to keep its foot on the innovation gas, without neglecting profitability metrics. Margins matter now more than they used to. So, too, does growth, as investors become less forgiving in the face of a downturn.

Couche-Tard or Shopify: What's the better growth play for 2023?

Shopify has crumbled quickly, and I'm unsure as to where the bottom will be. Though a line in the sand appears to be drawn in the \$40–50 range, tough earnings results and further rate hikes could add even more pressure to the share price. Indeed, it's really hard to value the firm, with so much going on behind the scenes.

Shopify's shifting its strategy, with the recently-announced Commerce Components offering. Indeed, the pace of acquisitions and new innovations is remarkable. Regardless, I'm unsure if SHOP stock deserves a 10 times price-to-earnings (P/S) multiple or one that's more in line with its less-exciting peers. No question, it's a tough call as Shopify faces macro headwinds.

Couche-Tard has had a better time dealing with macro headwinds. The company has managed through inflation and seen its cash hoard grow in recent years. Eventually, the firm will make use of its cash and credit, likely on an acquisition in the North American or Australasian region. For now, I view Couche as a [value-rich](#) way to sail higher in 2023.

The Foolish bottom line for growth-hungry Canadian investors

The way I see it, I'd much rather own a predictable firm with resilient cash flows and a cash-rich balance sheet going into a recession than a hyper-growth firm with so many moving parts. Either way, I'm not against owning both for the next 15 years. Two great companies. But as always, one is always a better bet. And for me, that stock is ATD.

CATEGORY

1. Investing
2. Tech Stocks

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2. TSX:SHOP (Shopify Inc.)

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